

CHAPTER 385

CREDIT INSURANCE

Sec.	
385.010.	Purpose clause.
385.015.	Scope of law.
385.020.	Definitions.
385.025.	Credit life and accident insurance, form in which it shall be issued.
385.030.	Amount of insurance permitted - payments, amount of, limited.
385.035.	Term of policy, prepayment of debt, effect of.
385.040.	Policy or group certificate contents of, delivery required - policy or certificate not delivered, effect of.
385.045.	Filings required to be made with director of insurance - disapproval by director, effect of - rules suspension and reinstatement procedure.
385.050.	Revision of premium schedules, procedure for - refunds paid, when - limit on charge for credit life.
385.055.	Who may issue credit life insurance.
385.060.	Reporting and settlement of claims - who may adjust claims.
385.065.	Debtor to be informed of his option to use existing policies of insurance as security - policy may be obtained from any licensed insurer.
385.070.	Rates presumed reasonable, when - criteria to be met - policy may be canceled, when - compensation to creditor for sale of coverage, maximum allowed.
385.075.	Regulatory powers of director.
385.080.	Credit life, accident and health insurance must be placed directly in companies holding a certificate of authority to do business in this state.

385.010. Purpose clause. - The purpose of sections 385.010 to 385.080 is to promote the public welfare by regulating credit life insurance and credit accident and sickness insurance, credit casualty insurance, credit involuntary unemployment insurance and credit property insurance. Nothing in sections 385.010 to 385.080 is intended to prohibit or discourage reasonable competition. The provisions of sections 385.010 to 385.080 shall be liberally construed.
(L. 1977 H.B. 610 § 1, A.L. 1992 S.B. 519)

385.015. Scope of law. - All life insurance, accident and sickness insurance, involuntary unemployment insurance, credit casualty insurance and property insurance written in connection with loans or other credit transactions shall be subject to the provisions of sections 385.010 to 385.080, except insurance for which no identifiable charge is made to the debtor and insurance written in connection with a loan or other credit transaction of more than ten years duration; nor shall insurance be subject to the provisions of sections 385.010 to 385.080 if the issuance of the insurance is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor or where the issuance of such insurance is in connection with a residential real estate secured credit transaction commitment exceeding twenty-five thousand dollars, which may be accessed on a discretionary basis by the debtor.
(L. 1977 H.B. 610 § 2, A.L. 1987 H.B. 510, A.L. 1992 S.B. 519)

385.020. Definitions. - 1. As used in sections 385.010 to 385.080, the following words and phrases mean:

(1) **"Credit accident and sickness insurance"**, insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy;

(2) **"Credit casualty insurance"**, insurance other than credit life insurance, credit accident and sickness insurance, credit involuntary unemployment insurance, or credit property insurance, by which the satisfaction of a debt in whole or in part is a benefit provided upon the occurrence of any unknown or contingent event whatever, when such insurance is sold to individual consumers and written as part of a credit transaction, but only insofar as it applies to personal debt incurred by individual consumers and not debt incurred in any business, trade or profession of the debtor;

(3) **"Credit involuntary unemployment insurance"**, insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is involuntarily unemployed as defined in the policy;

(4) **"Credit life insurance"**, insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction;

(5) **"Credit property insurance"**, insurance against loss of or damage to personal property, covering a creditor's security interest in such property, when such insurance is written as part of a loan or other credit transaction, but only insofar as it applies to property sold to individual consumers for personal use, or pledge by them, and not used in any business, trade or profession of the purchaser, except that such insurance shall not mean homeowners', renters' or lessees' insurance;

(6) **"Creditor"**, the lender of money or vendor or lessor of goods, services, property, rights, or privileges for which payment is arranged through a credit transaction, or any successor to the right, title, or interest of any such lender, vendor, or lessor, and any affiliate, associate, or subsidiary of any of them, or any director, officer, or employee of any of them, or any other person in any way associated with any of them, including a holding company;

(7) **"Debtor"**, a borrower of money or a purchaser or lessee of goods, services, property, rights, or privileges for which payment is arranged through a credit transaction;

(8) **"Decreasing term life coverage"**, credit life insurance decreasing over the term of the coverage to correspond with the scheduled or actual amount of unpaid indebtedness, whichever is greater;

(9) **"Director"**, director of the Missouri department of insurance;

(10) **"Identifiable charge"**, the amount a creditor charges a debtor or collects from him specifically for credit insurance in addition to any other stated charges, including interest or discount, permitted by law;

(11) **"Indebtedness"**, the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction;

(12) **"Insurer"**, an insurance company authorized to write credit life insurance, credit accident and sickness insurance, credit casualty insurance, credit involuntary unemployment insurance or credit property insurance;

(13) **"Joint life coverage"**, credit life insurance covering two or more lives, the entire sum insured being payable upon the death of the first insured debtor to die while the insurance is in force;

(14) **"Level term life coverage"**, credit life insurance remaining level over the term of the coverage.

2. As used in sections 385.010 to 385.080, the following technical terms shall have the indicated meanings:

(1) **"Claims"**, benefits payable on death, disability, debt default, involuntary unemployment or property damage, excluding loss adjustment expense, claims settlement costs, or other additions of any kind;

(2) **"Claims incurred"**, claims actually paid during the reporting year plus the estimated reserves at the end of the year for reported claims in the process of settlement and for unreported claims, less the corresponding estimated reserves at the end of the preceding year. All reserves are to be determined in a consistent manner from year to year;

(3) **"Credibility period"**, as of any point of time the period of at least three years, immediately prior thereto;

(4) **"Premiums earned"**, the total gross premiums which become due the insurer, without reduction of any kind, except the premiums refunded or adjusted on account of termination of coverage, appropriately adjusted for changes in gross unearned premiums in force upon a pro rata basis or a "sum of the digits" basis, where applicable. Where premiums are payable monthly on the basis of outstanding insured balances, **"premiums earned"** means the total premiums paid the insurer during the reporting year plus premiums due the insurer but unpaid at the end of that year, less premiums due the insurer but unpaid at the end of the previous year. As defined under either system, premiums are without reduction of any kind except for those refunded or adjusted because of termination of coverage.

(L. 1977 H.B. 610 § 3, A.L. 1992 S.B. 519)

385.025. Credit life and accident insurance, form in which it shall be issued. - Credit life insurance and credit accident and sickness insurance shall be issued only in the following forms:

(1) Individual policies of life insurance issued to debtors on a term plan;

(2) Individual policies of accident and sickness insurance issued to debtors on a term plan or disability benefit provisions in individual policies of credit life insurance;

(3) Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan;

(4) Group policies of accident and sickness insurance issued to creditors on a term plan insuring debtors or disability benefit provisions in group credit life insurance policies to provide such coverage.

(L. 1977 H.B. 610 § 4)

385.030. Amount of insurance permitted - payments, amount of, limited. - 1. The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater.

2. Notwithstanding the provisions of subsection 1 of this section, insurance on agricultural credit transaction commitments, not exceeding forty-eight months in duration, may be written up to the amount of the loan commitment on a nondecreasing or level term plan.

3. Notwithstanding any other provision of this section, insurance on educational credit transaction commitments may be written for the amount of the portion of the commitment that has not been advanced by the creditor.

4. The total amount of periodic indemnity payable by credit accident and sickness insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness, and the amount of each periodic indemnity

payment shall not exceed the original indebtedness divided by the number of periodic installments or divided by the number of months of its term in the case of an agricultural loan commitment insured under subsection 2 of this section.

5. Notwithstanding any other provision of this section, insurance on residential real estate secured credit transaction commitments may be written up to the amount of the loan commitment.

(L. 1977 H.B. 610 § 5, A.L. 1987 H.B. 510, A.L. 1991 S.B. 352)

385.035. Term of policy, prepayment of debt, effect of. - The term of any credit life insurance or credit accident

and sickness insurance, subject to acceptance by the insurer, shall commence on the date when the debtor becomes obligated to the creditor, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and such evidence is furnished more than thirty days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory, and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than thirty days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of loan termination prior to scheduled maturity, all credit life and credit accident and sickness insurance shall be terminated and a refund shall be paid or credited as provided in section 385.050.

(L. 1977 H.B. 610 § 6)

385.040. Policy or group certificate contents of, delivery required - policy or certificate not delivered, effect of. - 1. All credit life insurance and credit accident and sickness insurance shall be evidenced by an individual policy, or

in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

2. Each individual policy or group certificate of credit life insurance, or credit accident and sickness insurance, or both, shall, in addition to other requirements of law, set forth the name and home office address of the insurer, the name or names of the debtor, the premium or amount of payment by the debtor separately for credit life insurance and credit accident and sickness insurance, a description of the coverage including the amount and term thereof, and any exceptions, limitations and restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance may exceed the unpaid indebtedness, that any excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate.

3. The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter provided.

4. If the individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for the policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer, the name or names of the debtor, the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit

accident and sickness insurance, the amount, term and a brief description of the coverage provided, shall be delivered to the debtor at the time the indebtedness is incurred. The copy of the application for or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within thirty days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that, upon acceptance by the insurer, the insurance shall become effective as provided in section 385.035. (L. 1977 H.B. 610 § 7)

385.045. Filings required to be made with director of insurance - disapproval by director, effect of - rules suspension and reinstatement procedure. - 1. All policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, and riders delivered or issued for delivery in this state, and the schedules of premium rates pertaining thereto, shall be filed with the director prior to use.

2. The director shall within sixty days after the filing of the schedule of premium rates, policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, and riders, disapprove any form if the benefits provided therein are not reasonable in relation to the premium charge in accordance with the provisions of section 385.070, or if it contains provisions which are unjust, unfair, inequitable, misleading, deceptive, or encourage misrepresentation of the coverage, or are contrary to any provision of the insurance code or of any rule or regulation promulgated thereunder. Any rule or portion of a rule promulgated pursuant to sections 385.010 to 385.080 may be suspended by the joint committee on administrative rules if after hearing thereon the committee finds that such rule or portion of the rule is beyond or contrary to the statutory authority of the agency which promulgated the rule, or is inconsistent with the legislative intent of the authorizing statute. The general assembly may reinstate such rule by concurrent resolution signed by the governor. A premium rate or schedule of premium rates shall be deemed reasonable for all purposes under sections 385.010 to 385.080 if the rate of schedule produces or reasonably may be expected to result in claims incurred of not less than fifty percent of earned premium. To assist his decision, the director may extend the stipulated time up to an additional sixty days.

3. If the director notifies the insurer that the form is disapproved, it is unlawful for the insurer to issue or use the form. In the notice, the director shall specify the reason for his disapproval and state that a hearing will be granted within twenty days after receipt of request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement, or rider, shall be issued or used until the expiration of sixty days after it has been so filed, unless the director shall give his prior written approval thereto. The director may, at any time after a hearing held not less than twenty days after written notice to the insurer, withdraw his approval of any such form on any ground set forth in subsection 2 of this section. The written notice of the hearing shall state the reason for the proposed withdrawal. It is unlawful for the insurer to issue such forms or use them after the effective date of the withdrawal.

4. If a group policy of credit life insurance or credit accident and sickness insurance has been delivered in this state before September 28, 1977, the insurer shall be required to file only the group certificate and notice of proposed insurance delivered or issued for delivery in this state as specified in subsections 2 and 4 of section 385.040. Such forms shall be approved by the director if they conform with the requirements

specified in said subsections and if the schedules of premium rates applicable to the insurance evidenced by the certificate or notice are not in excess of the insurer's schedules of premium rates filed with the director; provided, however, the premium rate in effect on existing group policies may be continued until the first policy anniversary date following September 28, 1977. If a group policy has been or is delivered in another state insuring citizens of this state, the forms to be filed by the insurer with the director are the group certificates and notice of proposed insurance. He shall approve them only if:

(1) They provide the information that would be required if the group policy were delivered in this state;

(2) The applicable premium rates or charges do not exceed those approved by the director.

5. Any order or final determination of the director under the provisions of this section shall be subject to judicial review.

(L. 1977 H.B. 610 § 8, A.L. 1981 S.B. 200)

385.050. Revision of premium schedules, procedure for - refunds paid, when - limit on charge for credit life. - 1. Any insurer may revise its schedules of premium rates from time to time and shall file the revised schedules with the director. No insurer shall issue any credit life insurance policy or credit accident and sickness insurance policy for which the premium rate exceeds that determined by the schedules of the insurer as then approved by the director.

2. Each individual policy or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided, however, that no refund of less than one dollar need be made. The formula to be used in computing the refund shall be the actuarial method of calculating refunds which produces a refund equal to the original premium multiplied by the ratio of the sum of the remaining insured balances divided by the sum of the original insured balances as of the due date nearest the date of prepayment in full.

3. If a creditor requires a debtor to make any payment for credit life insurance or credit accident and sickness insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to the debtor and shall promptly make an appropriate credit to the account.

4. The amount charged to a debtor for any credit life or credit accident and sickness insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

5. Nothing in sections 385.010 to 385.080 shall be construed to authorize any payments for insurance now prohibited under any statute, or rule thereunder, governing credit transactions.

(L. 1977 H.B. 610 § 9, A.L. 2002 S.B. 895)

Effective 7-1-03

385.055. Who may issue credit life insurance.

- All policies and certificates of credit life insurance and credit accident and sickness insurance shall be delivered or issued for delivery in this state only by an insurer authorized to do an insurance business herein and shall be issued only through holders of licenses issued by the director. No person shall solicit, negotiate, or procure debtors to become insured under individual or group or any other form of policy unless such person is licensed as an agent, agency or broker by the director.

(L. 1977 H.B. 610 § 10)

385.060. Reporting and settlement of claims - who may adjust claims.

- 1. All claims shall be promptly reported to the insurer or its designated claims representative, and the insurer shall maintain adequate claim files. All claims shall be settled promptly and in accordance with the terms of the insurance contract.

2. All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of the claimant to one specified.

3. No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claims representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claims representative for the insurer in adjusting claims.

(L. 1977 H.B. 610 § 11)

385.065. Debtor to be informed of his option to use existing policies of insurance as security - policy may be obtained from any licensed insurer.

- When life insurance or accident and sickness insurance is required or requested as additional security for any indebtedness, the debtor shall be informed of the option of furnishing the required amount of insurance, or any portion thereof, through existing policies of insurance owned or controlled by him or of procuring and furnishing the required coverage through any insurer authorized to transact such insurance business within this state.

(L. 1977 H.B. 610 § 12)

385.070. Rates presumed reasonable, when - criteria to be met - policy may be canceled, when - compensation to creditor for sale of coverage, maximum allowed.

- 1. It shall be presumed in any review of rates filed with the director that the benefits are reasonable in relation to the premium charged if the premium rates do not exceed the following standard rates:

(1) Credit life insurance:

(a) The credit life insurance rates filed with the director shall be considered reasonable by the director if the single premium rate for single life decreasing term credit life insurance does not exceed fifty-five cents per annum per one hundred dollars of initial outstanding amount of insured indebtedness, and the single premium rate for single level term credit life insurance does not exceed a single premium rate of one dollar and ten cents per annum per one hundred dollars of initial outstanding amount of insured indebtedness. If premiums or identifiable charges are paid monthly on outstanding balances, the monthly premiums shall be ninety-two cents per one thousand dollars of outstanding indebtedness;

(b) A single premium rate of ninety cents per annum per one hundred dollars of initial outstanding amount of insured indebtedness for joint life (two lives) decreasing term credit life insurance or a premium payable monthly at the rate of one dollar and thirty-eight cents per one thousand dollars of outstanding indebtedness insured on joint (two lives) level term credit life basis;

(c) A minimum premium of seventy-five cents shall be considered reasonable on any policy of credit life insurance. In the event any premium is unearned and to be returned to the

insured, no returned premium calculated at less than one dollar need be refunded;

(d) The foregoing life insurance rates are presumed reasonable in relation to benefits only if the credit life insurance contract contains an incontestable clause which provides that an amount of insurance shall be contestable only for a period which shall not be in excess of two years and coverage is provided or offered to all debtors regardless of age, or to all debtors not older than the applicable age limit, which shall not be less than attained age seventy if the limit applies to the age when the insurance attaches, or not less than attained age seventy-one years if the limit applies to the age on the scheduled maturity date of the debt. Age limits, if used, must be clearly shown on the individual policies or group certificates;

(2) Credit accident and sickness insurance, per one hundred dollars of outstanding indebtedness:

(a)

No. of
months
in which
indebt-
edness

	NONRETROACTIVE BENEFITS			RETROACTIVE BENEFITS		
	7-day pay- able	14-day non- retro	30-day non- retro	7-day retro- active	14-day retro- active	30-day retro- active
1	\$.25	\$.12	\$.07	\$.42	\$.18	\$.14
6	1.50	.70	.40	2.50	1.10	.85
12	2.00	1.40	.80	3.00	2.20	1.70
18	2.50	1.80	1.20	3.50	2.60	2.10
24	3.00	2.20	1.60	4.00	3.00	2.50
36	4.00	3.00	2.40	5.00	3.80	3.30
48	5.00	3.50	2.90	6.00	4.30	3.80
60	6.00	3.90	3.30	7.00	4.70	4.20
72	7.00	4.30	3.70	8.00	5.10	4.60
84	8.00	4.70	4.10	9.00	5.50	5.00
96	9.00	5.10	4.50	10.00	5.90	5.40
108	10.00	5.50	4.90	11.00	6.30	5.80
120	11.00	5.90	5.30	12.00	6.70	6.20;

(b) Any rate not specified in this schedule shall be consistent with this schedule and shall be computed for the actual number of months in which the indebtedness is repayable.

Premiums payable other than on a single premium basis or for benefits on a basis different than illustrated above shall be actuarially consistent with the above rates;

(c) No certificate fee, policy issue charge, or any charge other than the premium herein provided shall be made;

(d) The foregoing accident and sickness rates are presumed to produce reasonable benefits in relation to premiums only if all of the following exist:

a. Coverage is provided or offered to all debtors regardless of age or to all debtors not older than the applicable age limit, which shall not be less than the attained age of sixty-five if the limit applies to the age when the insurance attaches, or not less than the attained age of sixty-six if the limit applies to the age on the scheduled maturity date of the debt. Age limits, if used, must be clearly shown on the individual policies or group certificates;

b. Coverage does not contain any exclusions except disabilities resulting from intentional self-inflicted injury, pregnancy, foreign residence, flights in nonscheduled aircraft and pre-existing illness, disease or physical condition for which the debtor received or was professionally advised to obtain medical advice, consultations, or treatment during the six month period preceding the effective date of the debtor's coverage and which caused covered disability commencing within six months following the effective date of coverage;

c. The credit insurance policy contains a definition of "**disability**" which provides coverage during the initial twelve months of disability even though the insured is able to perform an occupation other than the one he held at the time disability occurred. After the initial twelve-month period, coverage must be

provided if the insured is unable to perform the duties of any occupation for which he is suited by education, training or experience, except this paragraph shall not apply to lump sum disability coverage;

(3) Credit casualty insurance: a premium rate or schedule of premium rates shall be presumed to be reasonable if the rate or schedule of rates produces or may reasonably be expected to produce a prospective ratio of at least seventy-five percent derived by dividing the earned premium into the sum of the claims incurred plus the maximum allowable creditor compensation. Maximum allowable creditor compensation refers to creditor compensation authorized by subsection 2 of this section;

(4) Credit involuntary unemployment insurance:

(a) If the single premium rate does not exceed one dollar and thirty cents per annum per one hundred dollars of indebtedness;

(b) If the monthly outstanding balance rate does not exceed two dollars per month per thousand dollars of outstanding indebtedness;

(c) The foregoing involuntary unemployment insurance rates are presumed reasonable in relation to benefits only if all of the following exist:

a. Coverage is provided or offered to all debtors regardless of age who are working for salary, wages or other employment income for at least thirty hours per week and have done so for twelve consecutive months;

b. Coverage sets forth a definition of involuntary unemployment as a loss of employment income that may include, but is not limited to, loss caused by layoff, general strike, termination by employer, unionized labor dispute, or lockout;

c. Coverage does not contain any exclusions except: debts with irregular monthly payments; voluntary forfeiture of salary, wages or other employment income; resignation; retirement; loss of income due to disability caused by accident, sickness, disease, or pregnancy, or loss of income due to termination as the result of willful misconduct, which is a transgression of some established and definite rule of conduct, a forbidden act, or a willful dereliction of duty, or criminal misconduct, which is unlawful behavior as determined by local, state or federal law;

(d) The debtor shall be provided with a copy of the credit involuntary unemployment, insurance policy or certificate of insurance, describing the debtor's rights, within thirty days of the extension of credit;

(e) Credit involuntary unemployment insurance shall be canceled upon the satisfaction or termination of the underlying indebtedness and, upon such cancellation, the debtor shall be entitled to a refund of the unearned premium by a formula approved by the director;

(f) Involuntary unemployment insurance may not exceed in amount the total amount of the indebtedness or exceed in duration the scheduled term of the underlying contract; however, the involuntary unemployment insurance plan of benefits may be for the full term of the underlying contract or for a limited number of months;

(5) Credit property insurance:

(a) If the monthly outstanding balance rate does not exceed one dollar and eighty-five cents per month per thousand dollars of outstanding indebtedness, or the single premium actuarial equivalent;

(b) The foregoing credit property insurance rates are presumed reasonable in relation to benefits only if the credit property insurance contract includes standard fire coverage, extended coverage endorsement and replacement cost provision endorsement, calculates benefits from the date of loss and provides primary coverage;

(c) The debtor shall be provided with a copy of the credit property insurance policy or certificate of insurance describing the debtor's rights within thirty days of the extension of credit;

(d) Whenever credit property insurance is sold by a creditor, the creditor shall retain a list of the personal property included in the instrument securing the credit transaction;

(e) If the debtor has or obtains additional personal property coverage, the debtor may retain such additional coverage or may substitute coverage at any time and, upon such substitution, shall be entitled to a refund of the unearned premium on the policy sold under sections 367.100 to 367.200, RSMo, by a formula approved by the director; where such insurance was not initially required by the creditor, the debtor may cancel at any time, without substituting and shall be entitled to a refund of any premium paid by a formula approved by the director. If such substitution or cancellation occurs within thirty days of the making of the loan or other credit transaction, the entire premium shall be refunded;

(f) Credit property insurance shall be canceled upon the satisfaction, or termination of the underlying indebtedness and, upon such cancellation, the debtor shall be entitled to a refund of the unearned premium by a formula approved by the director;

(g) If the creditor requires insurance coverage on the personal property securing the loan and other credit transaction, a homeowner's or renter's policy with replacement cost endorsement shall be considered as fulfilling this requirement;

(h) Credit property insurance may not exceed in amount the total amount of the indebtedness nor exceed in duration the scheduled term of the underlying contract;

(i) If credit property insurance is sold by a creditor, the loan agreement or a separate written disclosure shall contain a written notice, in ten point type and reasonably designed to notify the debtor, in substantially the following form: YOU MAY NOT NEED TO PURCHASE CREDIT PROPERTY INSURANCE, AND YOU MAY HAVE OTHER INSURANCE WHICH THIS CREDITOR WILL ACCEPT WHICH COVERS THE PROPERTY SECURING THIS LOAN. YOU SHOULD EXAMINE ANY OTHER INSURANCE WHICH YOU HAVE IN ORDER TO DETERMINE IF THIS COVERAGE IS NECESSARY;

(6) An insurer may receive approval of a different premium rate or schedule of premium rates to be used in connection with a particular policy form, or a class or classes of the debtors of a creditor, or under broadened coverage, if the insurer demonstrates to the satisfaction of the director that the loss experience which may reasonably be anticipated will develop a prospective ratio of at least seventy-five percent derived by dividing the standard rate basis earned premium into the sum of the claims incurred plus the maximum allowable creditor compensation. For individual deviations, the letter "P" in the formula in this subdivision shall mean premium earned adjusted to standard rates for the segment of business for which a deviation is requested. Maximum allowable creditor compensation refers to creditor compensation authorized by subsection 2 of this section. Such approval will be deemed to have been given by the director if he does not disapprove the rates or policy forms within thirty days from the date of filing. This may be accomplished as follows:

(a) Development of a life insurance rate based on the actual ages and amounts of insurance of those insured and based on the mortality and interest assumptions used for valuation, with evidence that the age distribution is representative of the composition of the group and can reasonably be expected to remain at the level so determined. If this method is used, the life insurance rate must be redetermined and refiled at the discretion of the director or at any time the policy provisions are changed in such manner as to affect the rate;

(b) When experience is available, the following method may be used in the development of credit life insurance rates, credit accident and sickness insurance rates, credit casualty insurance rates, credit involuntary unemployment insurance rates or credit property insurance rates under the following formula:

Let P = Premiums earned (at least three years)
 D = Claims incurred (at least three years)
 r = premium rate to be determined
 s = standard premium for coverage

$$\text{Then } r = \frac{s}{.75} \times \frac{D + 4P}{P}$$

If this method is used, approval will not be given for a period longer than the credibility period utilized in the filing;

(c) The premiums described in subdivisions (1), (2), (3), (4) and (5) of this subsection may be revised by regulation by the director, based on the total Missouri credit insurance experience of all insurers not sooner than December 31, 1992, and for any three-year period thereafter, but no more frequently than once every three years; except that any such revision is based on the above formula; however, once the director elects to revise premiums, he shall recalculate the premiums by use of the formula without discretion;

(d) If a company proposes to write any type of coverage other than those described herein, it may request a public hearing to determine, through credible statistics, the initial rate to be employed, except that no hearing will be required to establish the need for lump sum disability benefits;

(e) If, after study and hearing, the director determines that the premiums described in subdivisions (1), (2), (3), (4) and (5) of this subsection do not accomplish the purposes of this section, he may prescribe by regulation that all rates be calculated in conformity with the methods described in this subdivision, except that the director shall not so prescribe sooner than December 31, 1992; however, once the director elects to revise premiums, he shall recalculate the premiums by use of the formula without discretion;

(f) Any debtor may cancel credit insurance within fifteen days of its purchase and shall receive a complete refund or credit of premium. This right shall be set forth in the policy or the certificate, or by separate written disclosure. This right shall be disclosed at the time the debt is incurred in ten-point type and in a manner reasonably calculated to inform the debtor of this right. This right is in addition to, and separate from, the right to cancel credit property insurance.

2. No insurer shall pay any compensation to any creditor for the sale of any policy, certificate, or other contract of credit insurance which exceeds forty percent of the rates specified in this section or subsequently established by the director. This schedule of maximum authorized compensation shall apply regardless of any deviation in rates filed or approved by the director. "**Compensation**" as used herein includes but is not limited to:

(1) Commissions, retrospective rate credits, service fees, expense allowances or reimbursements, gifts, furnishing equipment, facilities, goods or services, or any other form of remuneration resulting directly from the sale of credit insurance;

(2) All commissions paid or allowed to any agent directly or indirectly connected with the creditor. Notwithstanding, an insurer may compensate independent general agents, not affiliated directly or indirectly with the creditor by paying commissions or compensation, but no such commissions or compensation shall exceed ten percent of the rates specified in this section in addition to the agent's commission or compensation. Such independent general agent may not pass on any portion of such compensation to creditors or other agents or brokers;

(3) All compensation of any kind, direct or indirect, paid or allowed to the creditor;

(4) All benefits such as items of merchandise, travel, conventions, vacations, rewards, bonuses, trading stamps, scrip, or other rewards of any kind given, paid or allowed to the creditor as an inducement or payment for sales made or volume of sales obtained;

(5) Allowing the creditor to have the use of premiums collected by the creditor by leaving said funds on deposit with the creditor for undue periods of time at low or no interest rate. An

insurance company may invest in certificates of deposit with financial institutions which are the purveyors of its credit insurance if the interest paid on such certificates of deposit is at least equal to that being paid by the financial institution on certificates of deposit to other investors on the open market; provided further, that the total amount of such certificates of deposit shall not exceed the annual gross premium written. Premiums received by a creditor or an agent must be actually remitted to and received by the insurance company within forty-five days after the sale of the insurance. In no event shall compensation be deemed to include reinsurance premiums paid to, or underwriting profits generated by, an insurer or reinsurer whether or not such insurer or reinsurer is affiliated with the creditor or agent.

(L. 1977 H.B. 610 § 13, A.L. 1983 S.B. 107, A.L. 1991 H.B. 385, et al. and H.B. 575, A.L. 1992 S.B. 519)

CROSS REFERENCE

Joint committee for interim study of medical malpractice laws, appointment, report, RSMo 373.041.

385.075. Regulatory powers of director. - The director may, after notice and hearing, pursuant to section 374.045, RSMo, issue the rules and regulations that he deems necessary to effectuate the purposes of sections 385.010 to 385.080, or to eliminate devices or plans designed to avoid or render ineffective the provisions of sections 385.010 to 385.080. The director may require such information as is reasonably necessary for the enforcement of sections 385.010 to 385.080.

(L. 1977 H.B. 610 § 14)

385.080. Credit life, accident and health insurance must be placed directly in companies holding a certificate of authority to do business in this state. - Credit life and credit accident and health insurance may be written or issued in Missouri only when placed directly in insurance companies duly granted certificate of authority to do such business in this state.
(L. 1977 H.B. 610 § 15)

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